



A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF TATA MOTORS AND MARUTI SUZUKI INDIA LTD.

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ABSTRACT

The automobile sector is the dominant player not only in India but also in the economy of the world. Due to its forward and backward linkages with several key segments of the economy, the industry has a strong multiplier effect on industrial growth. The industry has been evolving over the years, meeting challenges as varied as transitions, consolidations and restructuring and thereby adapting to the new market environment. The present paper measures the financial performance of two major automobile companies of Indian origin, Tata Motors and Maruti Suzuki. It reveals the comparative financial strength of both the companies under study based on liquidity, efficient use of assets, profitability etc.

KEYWORDS: Liquidity Ratio, Profitability Ratio, Leverage Ratio, Turnover Ratio, T-tests, Tata Motors, Maruti Suzuki

INTRODUCTION

The Indian automotive industry is one of the leading industries in the world, both in sales volume and in production. India is one of the fastest-growing economies in the world. Industry segments like automobile, textile, and agriculture have grown since the nation's independence. Among these, the automobile industry has flourished like never before. The Indian auto industry is one of the largest globally, both regarding production as well as sales. The car market in India has evolved by leaps and bounds as almost all major companies are present in the country. India has now become a hub for automakers to set up their plants for manufacturing vehicles intended for domestic and international markets. In this study paper, the researcher has taken two major automobile firms namely Tata Motors and Maruti Suzuki Ind. Ltd. to analyse its financial performance for the selected study period.

LITERATURE

Kale (2011), in the last decade the Indian auto industry has shown increasing levels of technological sophistication and significant growth. The Indian auto industry consists of local firms with indigenous design and development capabilities, well-established global brands and has marketing presence in India as well as other emerging markets. This paper tracks capability development in the Indian auto industry and seeks to understand the factors, both internal and external to firms that have shaped innovative capabilities. It points out that the Indian Government's industrial policy secured the development of basic capabilities but restricted innovative capability development in auto manufacturing. This paper reveals that key attributes of firm ownership such as managerial vision and diversified nature of business, helped Indian firms in the development of innovative capabilities.

Ray (2012), this study tries to evaluate the performance of the Indian automobile industry in terms of various financial indicators, sales trends, production trends, export trends etc. for the period of 2003-04 to 2009-10. The result suggests that the automobile industry has been passing through turbulent phases characterized by enhanced debt burden, low utilization of assets, and above all, a huge liquidity crunch. The key to success in the industry is to improve labour productivity, labour flexibility, and

capital efficiency.

Dharmaraj and Kathirvel (2013), the Indian Automobile Industry marked a new journey in 1991 with the financial revolutionary New Industrial Policy Act 1991, opening an automatic route that allowed 100 per cent Foreign Direct Investment (FDI). Here, an attempt is made to find out the effect of FDI on the financial performance of the Indian Automobile Industry. For this purpose, sixteen companies were selected and analysed through various financial ratios. Descriptive statistical tools like Mean, Standard Deviation and Student's paired 'T-Test' were used to test the hypothesis. The liquidity analysis showed little changes and profitability analyses showed an increasing trend during post FDI when compared to pre FDI. The efficiency analysis showed that the companies are efficiently utilising the available resources during post-FDI as compared to pre-FDI. It is concluded that foreign direct investment in India makes a positive impact on the financial variables of Automobile Companies.

OBJECTIVES

- 1) To compare the ability of the companies to meet short-term financial obligations
- 2) To compare the working capital requirements
- 3) To compare the long-term solvency
- 4) To compare the profitability

Hypotheses

- 1) There is no significant difference between the Current ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 2) There is a significant difference between the Current ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 3) There is no significant difference between the Quick ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 4) There is a significant difference between the Quick ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 5) There is no significant difference between the Gross profit ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 6) There is a significant difference between the Gross profit ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 7) There is no significant difference between the Net profit ratio of Tata Motors and Maruti Suzuki Ind. Ltd.

- 8) There is a significant difference between the Net profit ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 9) There is no significant difference between the Debt – Equity ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 10) There is a significant difference between the Debt – Equity ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 11) There is no significant difference between the Net worth – Equity ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 12) There is a significant difference between the Net worth – Equity ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 13) There is no significant difference between the Inventory turnover ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 14) There is a significant difference between the Inventory turnover ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 15) There is no significant difference between the Assets turnover ratio of Tata Motors and Maruti Suzuki Ind. Ltd.
- 16) There is a significant difference between the Assets turnover ratio of Tata Motors and Maruti Suzuki Ind. Ltd.

Data collection

The current study is based on secondary data only. So, Data required for analysis of the current topic was collected from the official website of Tata Motors Ltd. and Maruti Suzuki India Ltd.

Period of the study

The period of this study has covered five years from 2018-19 to 2022-23

Data analysis

Different ratios have been selected and calculated for the analysis of the current study topic those are the current ratio, quick ratio, gross profit ratio, net profit ratio, asset turnover ratio, inventory turnover ratio, Debt – Equity ratio, and Net worth to Equity ratio under the different head of analysis like liquidity, profitability, turnover and leverage for the study period of five selected years 2018-19 to 2022-23.

year	Liquidity ratio		profitability ratio		Leverage ratio		Turnover ratio	
	Current ratio	Quick ratio	Gross profit ratio	Net profit ratio	Debt – Equity ratio	Net worth – Equity ratio	Inventory turnover ratio	Asset turnover ratio
2018-19	0.58	0.37	7.06	2.91	0.79	9.11	14.84	113.61
2019-20	0.53	0.38	-19.81	-16.59	1.14	-39.64	11.46	70.18
2020-21	0.60	0.43	-5.94	-7.53	1.14	-12.57	4.54	0.47
2021-22	0.58	0.44	-4.28	-2.93	1.17	-6.97	7.66	0.73
2022-23	0.45	0.33	3.28	4.14	0.84	12.14	12.52	1.05

(Source: annual reports of Tata Motors from 2018-19 to 2022-23)

Table 1: Financial ratios of Tata Motors

year	Liquidity ratio		profitability ratio		Leverage ratio		Turnover ratio	
	Current ratio	Quick ratio	Gross profit ratio	Net profit ratio	Debt – Equity ratio	Net worth – Equity ratio	Inventory turnover ratio	Asset turnover ratio
2018-19	0.87	0.64	12.16	8.71	0.00	16.25	25.87	136.68
2019-20	0.75	0.46	9.34	7.47	0.00	11.66	23.52	120.87
2020-21	1.15	0.96	7.33	6.01	0.01	8.23	23.06	100.37
2021-22	0.99	0.78	5.18	4.26	0.01	6.96	12.07	1.23
2022-23	0.58	0.36	8.64	6.84	0.02	13.33	11.94	1.50

(Source: Maruti Suzuki Ind. Ltd. from 2018-19 to 2022-23)

Table 2: Financial ratios of Maruti Suzuki Ind. Ltd.

Category	Variables	Mean		Variance		P – value
		Tata motors	Maruti Suzuki Ind. Ltd.	Tata motors	Maruti Suzuki Ind. Ltd.	
Liquidity ratio	Current ratio	0.55	4.34	0.0037	0.04782	0.012113
	Quick ratio	0.39	3.20	0.00205	0.0582	0.050896
Profitability Ratio	Gross profit ratio	-3.94	42.65	107.2752	6.6269	0.04815
	Net profit ratio	-4.00	33.29	71.5304	2.76837	0.048115
Leverage Ratio	Debt – Equity ratio	1.02	0.04	0.03413	0.00007	0.000266
	Net worth – Equity ratio	-7.59	56.43	430.1375	14.25313	0.097142
Turnover Ratio	Inventory turnover ratio	10.20	96.46	16.74668	45.38827	0.050875
	Asset turnover ratio	37.21	360.65	2728.036	4338.799	0.135028

Table 3: Analysis of Tata Motors Ltd. & Maruti Suzuki Ind. Ltd. Automobile Companies with Student's "T" Test

The table shows the value of paired T-tests for the different ratios of financial measures like liquidity ratios, profitability ratios, leverage ratios and turnover ratios. In the current study from the above data collection and calculation researcher found that the p – value of Quick ratio, Net worth to Equity ratio, Inventory turnover ratio and Assets turnover ratio shows more than 0.05 P - value. So, the researcher concluded that the null hypotheses are accepted for these ratios which means there are no significant differences in these ratios for the study period in sample two companies Tata Motors and Maruti Suzuki Ind. Ltd. and the other four ratios namely Current ratio, Gross profit ratio, Net profit ratio and Debt – Equity ratio having p – value of 'T'-test for the study is less than 0.05 significant value. From that researcher conclude that null hypotheses fail to accept these respective ratios which means there are significant differences in the particular ratios for the current study in these two selected sample companies.

CONCLUSION:

The researcher has found in the current study that there is high

fluctuation can be seen in the performance of both automobile companies. Even with the comparison to Tata Motors Ltd. the financial performance of Maruti Suzuki Ind. Ltd. shows better result during the study period.

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